

**South Carolina Department of Health and Human Services
Medical Care Advisory Committee
Item for Committee Advise ment**

PREPARED BY: Bryan Amick

PRESENTED BY: Bryan Amick

DATE: November 15, 2016

SUBJECT: Pharmacy Reimbursement (Fee-for-Service)

OBJECTIVE: To align pharmacy reimbursement with the requirements of the Covered Outpatient Drug final rule (CMS-2345-FC).

BACKGROUND: The Covered Outpatient Drug final rule (CMS-2345-FC) requires that Medicaid programs establish a “fairer” pharmacy reimbursement system. Specifically, this final rule is designed to ensure that pharmacy reimbursement is aligned with the acquisition cost of drugs and that Medicaid programs pay a professional dispensing fee.

Currently, SC Medicaid determines the reimbursement rate for prescription medications using an industry standard benchmark to determine a medication’s estimated acquisition cost (EAC). With this final rule, CMS requires that SCDHHS transition to one of several methodologies that uses invoice prices obtained from pharmacies to calculate an “actual” acquisition cost (AAC). SCDHHS proposes achieving this through the development of a South Carolina AAC, which will incorporate invoice prices and other pricing data available in the public domain, and supplement that data with pricing information obtained from South Carolina pharmacies.

The need for an increased dispensing fee arises primarily from concerns that the resulting AAC will be less than the current EAC as states make this transition. To ensure that overall pharmacy reimbursement remains sufficient to sustain the current level of network access, SCDHHS proposes changing the dispensing fee from the current rate of \$3.00 to whatever amount is necessary to make the adoption of AAC cost neutral in the aggregate.

For the purposes of medications purchased through the 340B program, SCDHHS proposes the development of a parallel 340B AAC, using the same methodology as described above, to establish medication specific reimbursement rates for medications purchased through the 340B program.

EXPECTED OUTCOMES: Budget neutral compliance with CMS-2345-FC) that maintains the current level of pharmacy access.

EXTERNAL GROUPS AFFECTED: Pharmacy providers.

RECOMMENDATION: Establish a SC AAC and SC 340B AAC for the purposes of determining pharmacy reimbursement. With the implementation of the AAC-based reimbursement, make such changes to the dispensing fee as to achieve no impact on aggregate, net payments to pharmacy providers.

EFFECTIVE DATE: On or after April 1, 2017